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## BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

IN THE MATTER OF THE COMMISSION'S  
BIENNIAL ASSESSMENT, PURSUANT TO  
A.R.S. § 40-360.02.G, OF THE ADEQUACY  
OF EXISTING & PLANNED TRANSMISSION  
FACILITIES TO MEET ARIZONA'S ENERGY  
NEEDS IN A RELIABLE MANNER

DOCKET NO. E-00000D-02-0065

DECISION NO. 65476ORDER

Open Meeting  
December 17, 2002  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. The Utilities Division Staff ("Staff") of the Commission and its consultant, P Plus Corporation (PPC), have completed the second biennial assessment of Arizona's existing and planned transmission system. The Second Biennial Transmission Assessment, 2002-2011 ("Assessment" or "BTA") was filed with the Commission on December 6, 2002. The report was also posted on the Commission website at <http://www.cc.state.az.us/utility/electric/biennial.htm> under Hot Topics.

2. Staff held two workshops to gather stakeholders' input. The workshops were held on July 30-31, 2002 and October 18, 2002. Industry input received from the workshops and subsequent written comments and correspondence has been incorporated into the Staff's report.

3. Staff's report addresses the adequacy and reliability of Arizona's existing and planned transmission system for the period 2002 - 2011 utilizing:

- a. Ten-year plans and technical studies filed with the Commission by January 31, 2002 in accordance with A.R.S. § 40-360.02.A.

- b. Plans and technical reports filed by Power Plants in accordance with A.R.S. § 40-360.02.B
- c. Other industry reports and technical studies germane and applicable to Arizona's transmission system.

4. Staff's Analysis concludes that the electric industry in Arizona has been very responsive to concerns raised in Staff's first BTA regarding the adequacy of Arizona's existing and planned transmission system to serve the state's energy needs in a reliable manner. For example:

- a. Arizona has received national acclaim for its collaborative transmission planning process which is open to all stakeholders. The planning model is being proposed for a study addressing Arizona and California interstate transmission needs.
- b. Some Merchant power plant developers are beginning to propose transmission improvements to resolve transmission barriers to the wholesale market.
- c. Transmission providers have agreed to participate in a reliability-must-run (RMR) study process for each local transmission import constrained area with which they are interconnected.
- d. Numerous new transmission projects have been announced and filed with the Commission since its first BTA.

5. Staff's Assessment further concludes that in general the existing and planned Arizona transmission system meets the load serving requirements of the state in a reliable manner. Several geographic areas do require and have planned transmission construction within the next ten-year period in order to continue serving local load in such a reliable manner. Mohave County was recently identified as a transmission import constrained area and studies have since commenced to determine available solutions. It is the only region for which transmission expansion has not been defined to reliably serve the local load projected for the area.

6. Staff's Assessment continues to raise concerns about the adequacy of the state's transmission system to reliably support the competitive wholesale market emerging in Arizona. This conclusion is supported by the following findings:

- a. Competitive wholesale generators' access to local Arizona markets is limited by local transmission import constraints that results in local RMR generation requirements.
- b. Planned Palo Verde transmission system additions fail to accommodate the full output of all new power plants interconnecting at the Palo Verde Hub. Two plant

1 developers (Gila Bend Power Partners and TECO/Panda Gila River) have recently  
2 identified new transmission projects to help resolve anticipated curtailments and  
3 schedule restrictions.

- 4 c. There is very little additional long-term firm transmission capacity available to  
5 export or import energy over Arizona's transmission system. Studies to  
6 investigate transmission additions required between Arizona and California are  
7 being organized.
- 8 d. Some new power plants are being interconnected to Arizona's bulk transmission  
9 system via a single transmission line or tie rather than continuing Arizona's best  
10 engineering practices of multiple lines emanating from power plants.

11 7. Concerns outlined in Staff's conclusions listed above are not easily or quickly  
12 resolved. The public's best interest warrants effective and decisive remedies. Therefore, Staff's  
13 report recommends the following for Commission consideration and action:

- 14 a. Continue to support Staff's use of the "Guiding Principles for ACC Staff  
15 Determination of Electric System Adequacy and Reliability" to aid in its  
16 determination of adequacy and reliability of power plant and transmission line  
17 projects.
- 18 b. Request Staff to commence rule making proceedings to determine how:
- 19 • Utility distribution companies (UDCs) should ensure sufficient transmission  
20 import capacity to reliably serve all loads in its service area without limiting  
21 access to more economical or less polluting remote generation and
  - 22 • New power plants should demonstrate sufficient transmission capacity exists  
23 to reliably and economically deliver their full output without use of remedial  
24 action schemes for single contingency (N-1) outages or displacing a priori  
25 generation at the interconnection.
- 26 c. Encourage transmission providers to continue to investigate and study, in a  
27 collaborative fashion, local area import constraints in accordance with the RMR  
28 Study Plan outlined in Section 7.2 of Staff's report.
- 29 d. Continue to encourage collaborative study activities between transmission  
30 providers and merchant plant developers for the purpose of:
- 31 • Ensuring consumer benefits of generation additions, and cost-effective  
32 transmission enhancements and interconnections; and
  - 33 • Facilitating restructuring of the electric utility industry to reliably serve  
34 Arizona consumers at just and reasonable rates via a competitive wholesale  
35 market.

CONCLUSIONS OF LAW

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3       1.       According to A.R.S. § 40-360.02.A, "Every person contemplating construction of  
4 any transmission line within the state during any ten year period shall file a ten year plan with the  
5 commission on or before January 31 of each year."

6       2.       According to A.R.S. §40-360.02.G, "The plans shall be reviewed biennially by  
7 the commission and the commission shall issue a written decision regarding the adequacy of the  
8 existing and planned transmission facilities in this state to meet the present and future energy  
9 needs of this state in a reliable manner."

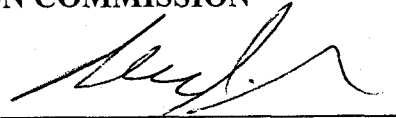
10       3.       The Commission, having reviewed the Second Biennial Transmission Assessment  
11 2002-2011, concludes that the assessment complies with A.R.S. §40-360.02.  
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ORDER

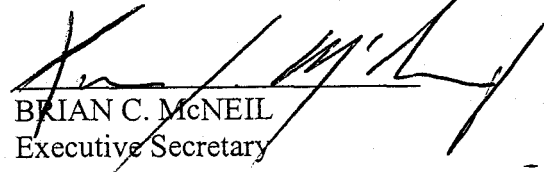
THEREFORE, IT IS ORDERED that the Second Biennial Transmission Assessment 2002 - 2011 is hereby issued as the Commission's biennial assessment in accordance with A.R.S. §40-360.02.G.

IT IS FURTHER ORDERED that Staff recommendations in Finding of Facts Nos. 7.a - 7.d. are hereby adopted by the Commission.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**  
CHAIRMAN  
COMMISSIONER  
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
Executive Secretary of the Arizona Corporation Commission,  
have hereunto, set my hand and caused the official seal of  
this Commission to be affixed at the Capitol, in the City of  
Phoenix, this 19th day of December 2001.

  
BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

EGJ:jds

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Decision No. \_\_\_\_\_